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CAPITAL SPENDING CHECK-UP SURVEY

If company capital budgets are any yardstick, then U.S. business confidence is on the rise. Firms now expect to raise 1985 domestic capital spending by 10.9%—a percentage point higher than was reported last fall when McGraw-Hill took its previous survey. If plans are realized, plant and equipment spending in the U.S. would reach $386.5 billion this year (Table I).*

Since last fall, business has also pared its inflation expectations. Companies now anticipate plant and equipment price increases of 4.9% in 1985, compared to 5.3% several months ago. Combined with the higher spending projection, that means "real" capital spending in 1985 is currently expected to rise 5.8% (Table II) compared to a 4.3% expectation in the fall. Spending increases will be focused on computers, manufacturing equipment, and factories (Tables III, IV, VI).

These are the key findings of McGraw-Hill's Capital Spending Check-Up Survey, conducted in January and February. The results are based on responses from more than 500 companies, with dollar values adjusted to represent total plant and equipment expenditures in the U.S. The fall projections cited above are from a McGraw-Hill survey conducted last September and October.

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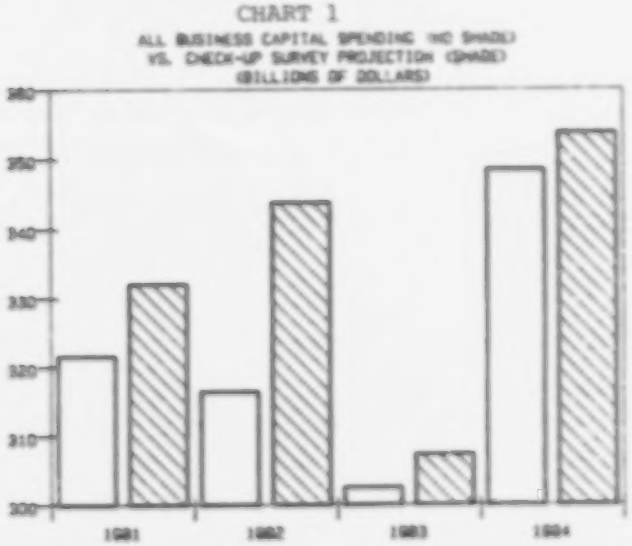
*Tables denoted by Roman numerals appear at the back of this report.

The most recent survey is also a little more optimistic about 1986, though plans for next year remain very weak: At present, firms plan no change in their level of capital outlays in 1986, compared to last fall's 1986 projection of a 1.9% decline. Two-year-out survey projections tend, however, to undershoot. So the no-growth forecast for 1986 may be read as a sign of uncertainty rather than an omen of pessimism. At the same time, currently weak 1986 plans point to the need for sustained economic growth this year if plant and equipment plans are to firm up next year.

Checking Out the Check-Up's Record

The Capital Spending Check-Up Survey has only been conducted in consecutive years beginning in 1981. Its purpose is to "check up" on companies' current-year capital spending plans initially reported to McGraw-Hill the previous fall, when many budgets are not yet final. Due to this incomplete state of affairs, the fall survey historically undershoots spending in the following year by about four percentage points.

CHART 1



As shown in Chart 1, by the time the Check-Up Survey is conducted, spending projections grow stronger—in fact, they overshoot the final outlay figures. In 1982, a troubled year for capital investment, the Check-Up overshot significantly; but at the time (early 1982), hardly anybody expected the economy to slump so severely. In contrast, in 1981, 1983, and 1984 companies' perceptions of the economy accorded more with reality; hence their capital spending projections proved quite accurate. In those three years, the survey error averaged only about 2%.

This year should be more akin to the survey's accurate years than to 1982. With economic growth strong at the end of 1984, with consumer confidence rising, and with housing staging a comeback, it's hard to imagine the economy falling apart and subverting capital spending plans. It's therefore reasonable to assume the survey projection measured in nominal (inflated) dollars will be too high by about 2%.

This probable error in nominal spending, however, will probably be offset by an overly pessimistic 4.9% projection of capital goods inflation. As Table 1 shows, respondents' price expectations have declined over the years as inflation has subsided. But the decline in expectations has fallen far short of the plunge in actual inflation.

Table 1. Capital Goods Inflation

	% Change		
	Deflator for Nonresidential Fixed Investment	Producer Price Index for Capital Goods	Check-Up Survey Forecast
1981	8.5%	10.2%	10.1%
1982	3.6	5.7	9.4
1983	-1.5	2.8	6.5
1984	0.7	2.4	5.3
1985	NA	NA	4.9

With no current indicator of inflation pointing to any price flareup, it looks like the survey will again overshoot the usual inflation measures by at least 2%, possibly more. Combining a too-bullish projection of nominal spending with a too-bearish outlook on inflation results in a "real" capital investment projection close to that of the survey--5.8%.

Transportation on a Roll

The overall 10.9% projected rise in 1985 plant and equipment investment masks substantial differences between industries. Thirteen industries plan double-digit percent gains in investment this year, while seven project 6% or less; three project declines.

A sector that will play a major role in keeping capital spending airborne this year is transportation. Airlines anticipate a rapid 55% takeoff in spending; autos, trucks, and parts makers intend spending to speed ahead by 46%; and aerospace manufacturers and railroads plan 27.5% and 18% outlay increases, respectively.

All of these transportation industries have benefitted tremendously from the general economic expansion, as shown in Charts 2 through 5. In 1984, airline passenger traffic rose 4.4%, and it hit a record in January 1985. Domestic auto sales surged 18%, while profits soared. Launched into recovery in 1982 by an explosion of military sales, aerospace companies in 1984 started receiving big commercial aircraft orders as well. And railroad freight traffic chugged ahead 10.6% last year, making 1984 the busiest year for railroads since 1980, which was a record setter. In addition, deliveries and orders of new freight cars more than doubled.

In brief, transportation steamed forward in 1984. What's more, industry trade associations exude confidence about 1985. The Aerospace Industries

CHART 2

AIRLINE CAPITAL SPENDING (LINE, LEFT SCALE) & AIR TRAFFIC (DASH, RIGHT)

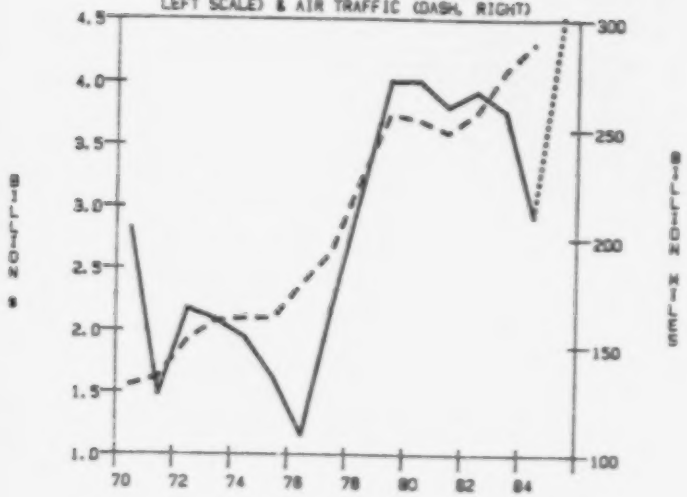


CHART 3

AUTO INDUSTRY CAPITAL SPENDING (LINE, LEFT SCALE) & DOMESTIC AUTO SALES (DASH, RIGHT SCALE)

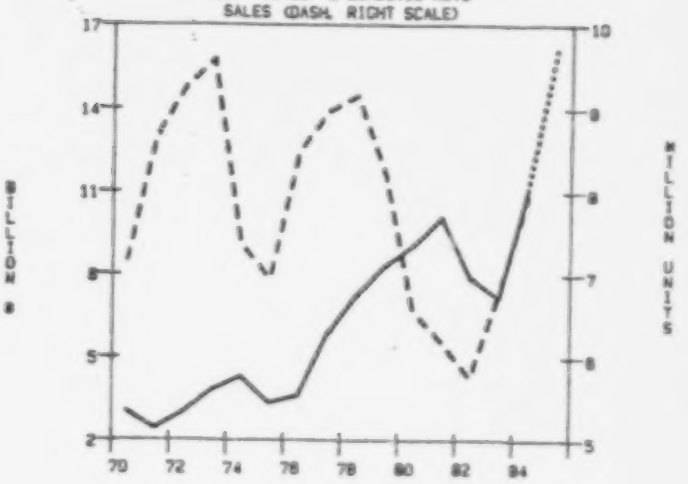


CHART 4

AEROSPACE CAPITAL SPENDING (LINE, LEFT SCALE) AND SALES (DASH, RIGHT SCALE)

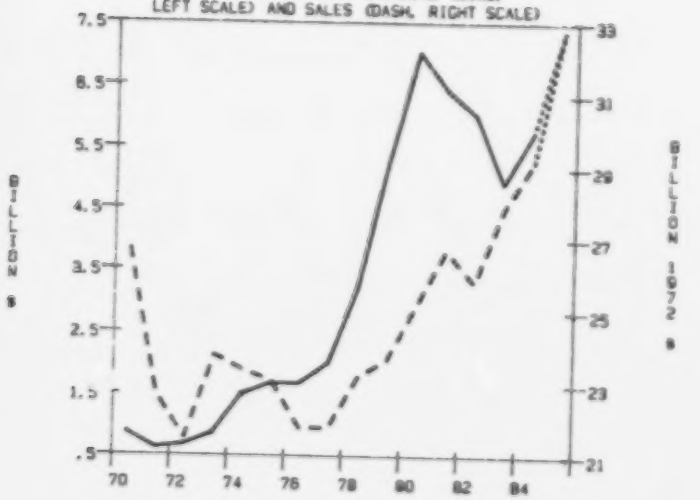
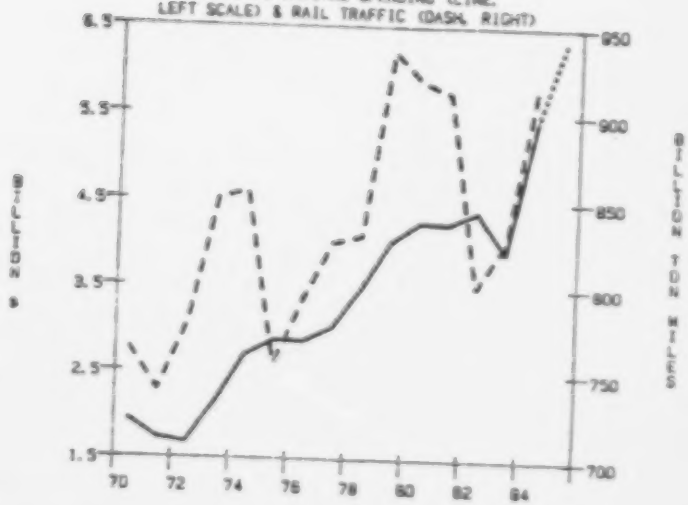


CHART 5

RAILROAD CAPITAL SPENDING (LINE, LEFT SCALE) & RAIL TRAFFIC (DASH, RIGHT)

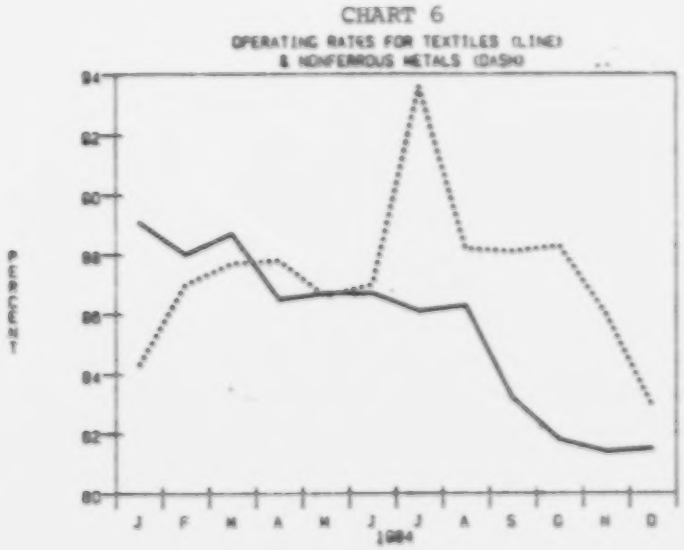


Association of America, for example, projects an inflation-adjusted 17.6% increase in sales of aircraft and related products this year.

Outside of transportation, several other industries also project rapid growth in 1985 plant and equipment spending. The rubber and plastics industry, which sports a 90+% factory operating rate, expects plant and equipment investment to expand 50% in 1985. And nonelectrical machinery and instruments, both beneficiaries of 1984's capital spending boom, plan to boost investment by more than a third this year.

On the downside, the big survey surprise was electrical machinery, which projects a decline in 1985 outlays. As Table VIII shows, weakness appears in several sectors of electrical machinery--electric distribution equipment, communications gear, and miscellaneous. A decline in electric distribution equipment is consistent with weak spending by electric utilities; but in contrast, 1985 sales of communications equipment in the U.S. were strong. The answer to this paradox might lie, therefore, in foreign trade, where the U.S. is running a large deficit. As a result, dollar-devastated U.S. producers may be switching production--and investment--offshore.

CHART 6



Not so surprising are capital spending declines planned by the textile and nonferrous metals industries. Both industries have suffered from intense foreign competition; hence both have seen their once high-flying operating rates go into a tailspin (see Chart 6).

The economic conditions of all major industry groups covered by the survey are shown in Tables 2 through 4.

Table 2. Nondurable Manufacturing Indicators

	1984				Years		
	I	II	III	IV	82	83	84
Chemicals							
Operating Rate...	77.1	78.6	79.1	78.2	68.8	74.7	78.3
Shipments.....	206.036	212.412	214.664	213.048	172.710	190.896	211.540
After-Tax Profits	14.824	15.904	14.252	NA	10.324	11.644	NA
Paper							
Operating Rate...	94.5	92.5	91.6	89.5	86.3	90.9	92.3
Shipments.....	93.272	95.996	96.604	97.912	78.988	85.160	95.946
After-Tax Profits	2.516	3.768	3.804	NA	1.460	2.327	NA
Rubber & Plastics							
Operating Rate...	92.9	94.9	94.4	91.2	79.5	88.3	93.3
Shipments.....	52.088	52.328	52.456	51.856	50.122	50.344	52.182
After-Tax Profits	2.420	3.012	2.652	NA	1.170	1.891	NA
Petroleum							
Operating Rate...	75.6	77.4	75.6	76.2	72.9	72.9	76.1
Shipments.....	195.056	200.864	200.504	195.240	206.222	191.426	197.916
After-Tax Profits	17.904	19.528	13.980	NA	19.666	19.297	NA
Food & Beverage							
Operating Rate...	73.6	74.9	74.6	73.9	75.8	75.0	74.2
Shipments.....	293.160	297.984	295.144	293.508	277.257	286.533	294.949
After-Tax Profits	9.472	10.156	9.368	NA	8.383	9.436	NA
Textiles							
Operating Rate...	88.6	86.6	85.3	81.6	77.4	87.7	85.5
Shipments.....	57.068	56.076	54.924	53.160	47.166	52.175	55.307
After-Tax Profits	1.652	2.032	1.396	NA	0.851	1.599	NA

NOTE: Shipments in billion dollars at seasonally adjusted annual rate. Profits in billion dollars, not seasonally adjusted. Operating rates in percent.

Table 3. Durable Manufacturing Indicators

	1984				Years		
	I	II	III	IV	82	83	84
Iron & Steel							
Operating Rate (%).	70.6	70.9	65.2	63.8	51.7	59.9	67.6
Shipments.....	54.604	58.628	57.172	54.216	47.103	48.383	56.155
After-Tax Profits..	0.856	1.496	-0.440	NA	-3.705	-3.746	NA
Nonferrous Metals							
Operating Rate (%).	86.3	87.1	92.0	85.7	66.7	75.8	87.8
Shipments.....	63.628	62.936	61.348	61.696	49.435	57.800	62.402
After-Tax Profits..	0.876	1.220	0.420	NA	-0.333	-0.288	NA
Electrical Machinery							
Operating Rate (%).	82.5	83.7	85.6	84.9	74.1	75.5	84.1
Shipments.....	174.680	180.188	185.504	186.156	141.109	155.870	181.632
After-Tax Profits..	8.912	7.500	8.144	NA	6.449	6.367	NA
Nonelectrical Machinery							
Operating Rates (%)	74.6	77.4	80.8	80.6	68.0	67.3	78.4
Shipments.....	199.348	209.172	212.068	214.284	180.226	178.206	208.718
After-Tax Profits..	8.636	13.352	13.236	NA	8.038	7.680	NA
Autos, Trucks & Parts							
Operating Rate (%).	87.8	86.7	88.3	89.2	59.1	73.0	88.1
Shipments.....	196.764	184.228	192.200	197.936	112.376	152.499	192.782
Ater-Tax Profits...	13.272	13.784	5.852	NA	0.734	7.168	NA
Aerospace							
Shipments.....	70.440	74.328	77.908	82.988	63.503	70.749	76.416
After-Tax Profits..	3.328	4.028	2.820	NA	2.193	2.829	NA
Fabricated Metals							
Operating Rate (%).	74.9	76.5	77.7	77.6	65.0	68.3	76.7
Shipments.....	131.856	133.176	137.808	147.852	113.914	120.548	137.673
After-Tax Profits..	3.864	5.436	4.800	NA	2.320	2.693	NA
Instruments							
Operating Rate (%).	78.6	78.6	79.2	77.9	77.5	77.1	78.6
Shipments.....	54.024	57.268	57.868	56.568	48.844	49.984	56.432
After-Tax Profits..	3.884	4.444	4.192	NA	3.859	3.672	NA
Stone, Clay & Glass							
Operating Rate (%).	81.3	80.6	79.4	78.1	66.5	73.7	79.8
Shipments.....	54.216	54.372	55.276	56.252	44.023	48.982	55.029
After-Tax Profits..	0.648	2.448	2.432	NA	0.408	1.002	NA

NOTE: Shipments in billion dollars at seasonally adjusted annual rate. Profits in billion dollars, not seasonally adjusted. Operating rates in percent.

Table 4. Nonmanufacturing Indicators

	1984				Years	
	I	II	III	IV	83	84
Mining						
Bituminous Coal Production --thousand net tons.....	223,140	226,830	242,452	194,544	194,501	221,742
Oil & Gas Well Footage Drilled --thousands of feet.....	358,776	339,302	359,733	335,133	325,670	348,236
Refiners' Acquisition Price of Oil--dollars.....	28.71	28.62	28.62	28.15	28.87	28.53
Railroads						
Revenue Freight Ton-Miles --billion miles.....	231.1	235.0	226.0	NA	826.1	NA
New Freight Cars, Unfilled Orders --thousands of cars.....	6.3	6.1	6.2	NA	3.9	NA
Airlines						
Passenger-Miles Revenue--billions	66.4	76.5	NA	NA	69.3	NA
Utilities						
Electricity Output --million kw-hr.....	605,307	582,304	644,707	NA	577,571	NA
Electric Utility Revenues --million $.....	34,253	33,200	40,309	NA	32,443	NA
Natural Gas Sales--trillion btu..	4,976	2,931	2,270	3,324	3,226	3,375
Gas Utility Revenues--million $..	24,893	14,413	10,837	NA	16,227	NA
Communications						
Commercial Construction --billion 1972$,SAAR.....	18.19	20.37	20.63	22.95	15.45	20.53
Consumer Spending on Financial Services --billion 1972$,SAAR.....	48.31	48.47	48.63	48.77	46.65	48.54
Trade and Services						
Retail Sales--million $,SA.....	1,263.8	1,300.3	1,289.2	1,321.8	1,171.4	1,293.8
Consumer Spending on Personal, Medical & Business Services --billion 1972$,SAAR.....	211.9	214.3	217.2	218.2	208.3	215.4

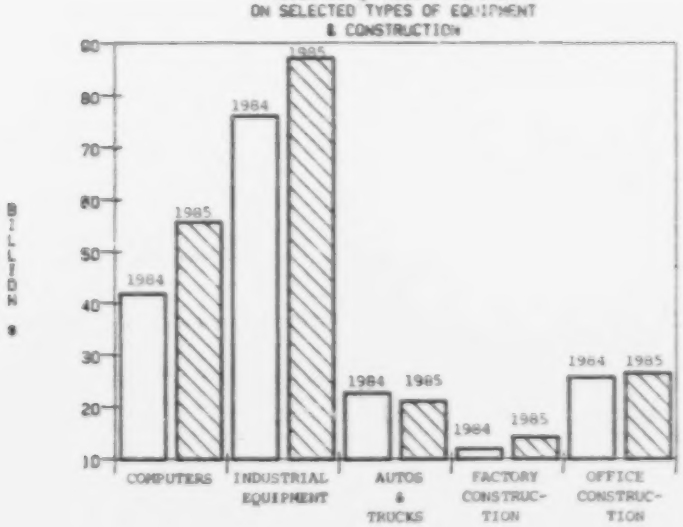
SA--Seasonally adjusted.
SAAR--Seasonally adjusted at an annual rate.

Computers Keep Coming On Strong

Besides asking companies how much capital spending they intend to do in general, the Check-Up Survey also asks companies to report their allocation of spending to several types of plant and equipment. These types are: computers and other office equipment, manufacturing or industry-specific equipment, motor vehicles, factory or other non-office building, office construction, and all other construction. (All manufacturers were asked for the same breakout, while nonmanufacturing firms were asked industry-specific questions. For example, instead of being asked about factory construction, airlines were asked about hangar and terminal construction. For the exact terminology used for each industry, see the complete set of questionnaires at the back of this report.)

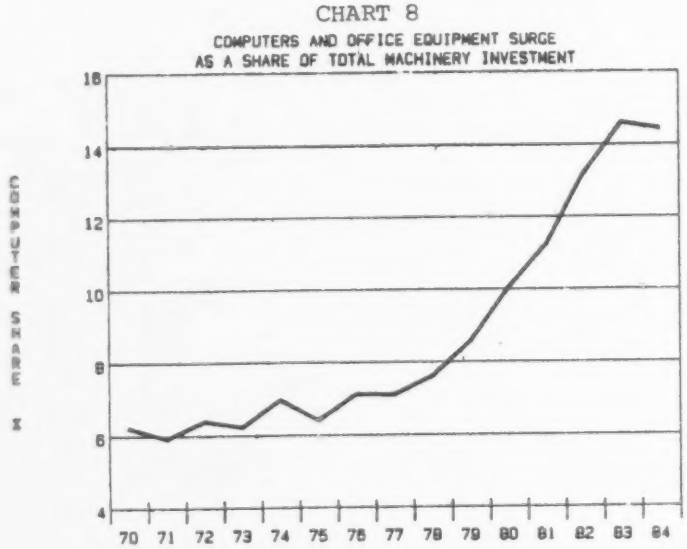
Chart 7 compares projected 1984-85 changes in spending for the different types of plant and equipment surveyed. (In the chart, manufacturing equipment and factory construction include manufacturers only; computers, autos and trucks, and offices include both manufacturers and nonmanufactures. For detail on equipment and non-office spending by nonmanufacturers, see the tables at the end of the report.)

CHART 7
PROJECTED CHANGES IN SPENDING
ON SELECTED TYPES OF EQUIPMENT
& CONSTRUCTION



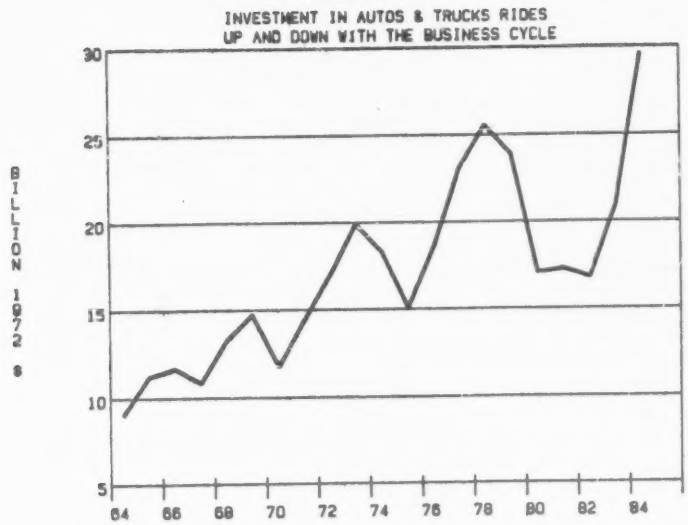
As has been the case for years now, American business in 1985 will be making more room for computers and other office equipment--up from 12% of total budgets last year to 14.4% this year (Table III). (Chart 8 shows a U.S. government measure of office and store machinery as a percent of all business spending on capital equipment.) If all spending plans are realized, 1985 investment in this machinery would rocket 33% to $55.7 billion, according to the survey.

CHART 8



Among the categories in Chart 7, only auto and truck purchases are slated to decline this year--not a big surprise, considering that in the past two years U.S. business has binged on motor vehicles. Fleets by now should therefore be expanded and up-to-date, meaning that growth in auto and truck sales to business will be sluggish, probably for the rest of this business cycle. Such a slowdown would be consistent with history, as suggested by Chart 9 which tracks a government measure of motor vehicle purchases by business in constant 1972 dollars. Investment in autos and trucks usually surge in the first part of a business expansion as firms replace aging fleets; then the process reverses itself later in an expansion and in the ensuing recession as firms make do with existing models.

CHART 9

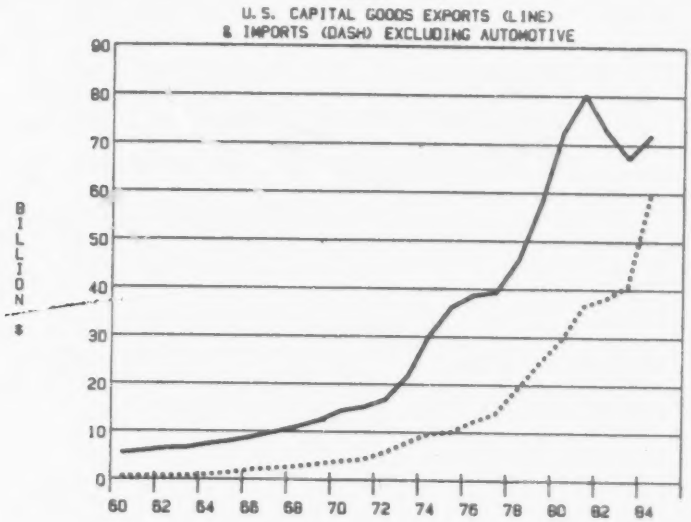


Next to motor vehicles, the weak spot in 1985 capital budgets is office construction, slated to rise only about 3% (Table VII). In recent years, office construction has enjoyed a tremendous boom, despite a huge increase in unleased space. The survey suggests that while the boom is over, a bust has not begun. The survey does not, however, cover partnerships set up to reap tax benefits from office construction. Hence total office construction in the U.S. could be higher or lower than the survey projection depending on the way tax law reform shapes up this year.

Focusing again on 1985's high-growth track, factory construction by manufacturers is projected to increase 18% (Table VI). This result may seem surprising because factory operating rates remain subdued in most industries. But after two years of economic recovery and expansion many manufacturers have the resources to modernize their factories. Perhaps more important, many manufacturers realize that if they don't modernize in order to reduce unit costs in a world dominated by a strong dollar, they will be driven to the wall by low-priced imports.

Similar motives are behind the 14.5% planned hike in outlays on manufacturing equipment (Table IV). Unfortunately for U.S. equipment producers, many of the retooling orders have gone to foreign producers. As a result, America's once formidable capital goods trade balance is disintegrating, as shown in Chart 10.

CHART 10



1986: Let's Hope for Better

The survey's finding of 0% planned change in capital spending in 1986 is indeed weak. One mitigating factor is that when looking beyond the current year, the surveys almost always underpredict. The chief reason is probably that companies' capital budgets for a given year do not take final form until late in the previous year; so, for example, 1986 budgets will not be firm for another eight or nine months, during which time projects will be added.

Projects will be added, that is, if the economic expansion continues. At present, most economic forecasters are confident that 1985 will be a good year for the economy. Judging from the current state of companies' capital

budgets, however, it looks like business executives are reserving opinion. For while a winter 1985 survey would almost surely show a low 1986 projection, the no-change projection seems especially low. At the same time, it's up from the -1.9% reading for 1986 registered in the capital spending survey taken last fall. So at least the direction is right. Nonetheless, uncertainty still hangs over what could be the fourth year of an economic upswing.

Notes on the Survey

Results in this report are based on the responses of more than 500 firms to a survey taken in January and February. These firms account for 23% of capital spending in the country (Table IX). For capital spending (Table I), firms supplied dollar estimates of future plant and equipment expenditures. Estimates for each year were summed by industry, and percentage changes between years were calculated. Each industry's percentage change for 1984-85, derived from the sample firms, was then applied to the industry's total estimated capital spending in 1984 in order to derive the industry's total estimated capital spending in 1985. The 1985-86 percentage change was applied to the estimated 1985 total industry figure to derive the industry's total estimated 1986 capital spending. Firms with extreme percent changes in spending (outliers) were removed from the sample on a year-by-year basis. Once each industry's total estimated capital spending was derived, the figures were summed to derive estimates for the various aggregate groupings--durables, nondurables, all manufacturing, all nonmanufacturing and all business.

All data presented in this report other than the capital spending figures are based on percentage--rather than dollar--answers supplied by the sample firms. Percentage responses were weighted by size of firm within an industry to derive industry figures. Figures for the aggregates were then derived by weighting each industry by size.

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DEFINITIONS: The other durables category listed in the tables includes lumber, furniture, jewelry, toys, and transportation equipment other than autos and aerospace. Other nondurables includes apparel, tobacco, printing and publishing, and leather. The trade and services category includes retail and wholesale trade, banking, holding companies, insurance companies, hotels, laundries, and personal and business services. The communications and other category includes construction firms and transportation services other than airlines and railroads.

NOTE: The sum of capital spending for different types of equipment and construction in Tables III-VII do not add to total capital spending in Table I because of spending allocated to "all other machinery and buildings," for which no table is published.

TABLE I

PLANS FOR CAPITAL SPENDING
(Billions of Dollars)

INDUSTRY	1984 ESTIMATE	1985 PLANNED	1984-85 % CHANGE	1986 PLANNED	1985-86 % CHANGE
Iron & Steel	3.12	3.67	17.6	4.13	12.7
Nonferrous Metals	2.86	2.80	-2.2	2.88	3.0
Electrical Machinery	13.59	13.28	-2.3	13.82	4.1
Non-Electrical Machinery	14.19	19.50	37.4	21.58	10.7
Autos,Trucks & Parts	11.05	16.18	46.4	15.20	-6.0
Aerospace	5.73	7.31	27.5	6.82	-6.6
Fabricated Metals	2.61	2.69	3.0	2.83	5.2
Instruments	3.28	4.42	34.7	4.66	5.6
Stone,Clay & Glass	2.70	3.13	15.8	2.83	-9.5
Other Durables	4.99	5.21	4.5	5.39	3.4
TOTAL DURABLES	64.12	78.17	21.9	80.16	2.5
Chemicals	14.75	16.41	11.3	17.00	3.6
Paper & Pulp	7.23	7.46	3.2	8.39	12.5
Rubber & Plastic	2.49	3.72	50.2	3.52	-5.4
Petroleum	26.52	30.76	16.0	34.47	12.1
Food & Beverage	7.37	8.61	16.9	8.55	-0.7
Textiles	1.45	1.24	-14.3	1.18	-5.2
Other Nondurables	7.36	7.71	4.8	6.91	-10.4
TOTAL NONDURABLES	67.16	75.93	13.1	80.02	5.4
ALL MANUFACTURING	131.28	154.10	17.4	160.18	3.9
Mining	12.64	13.17	4.2	11.95	-9.3
Railroads	5.41	6.38	17.9	6.31	-1.1
Airlines	2.92	4.52	54.9	4.34	-4.0
Electric Utilities	35.90	37.91	5.6	33.57	-11.4
Gas Utilities	9.52	11.33	19.0	12.02	6.1
Communication & Other	46.36	50.45	8.8	47.15	-6.6
Trade & Services	104.38	108.68	4.1	110.97	2.1
ALL NONMANUFACTURING	217.13	232.45	7.1	226.32	-2.6
ALL BUSINESS	348.41	386.54	10.9	386.50	0.0

TABLE II

INFLATION EXPECTATIONS
(Percentage Change)

INDUSTRY	Expected % Change, 1984-85	
	Plant & Equipment Prices	Real Capital Spending
Iron & Steel	4.7	12.3
Nonferrous Metals	2.0	-4.1
Electrical Machinery	4.5	-6.5
Non-Electrical Machinery	4.7	31.2
Autos,Trucks & Parts	4.7	39.8
Aerospace	4.6	21.9
Fabricated Metals	3.2	-0.2
Instruments	4.8	28.5
Stone,Clay & Glass	4.3	11.1
Other Durables	5.8	-1.3
TOTAL DURABLES	4.5	16.6
Chemicals	4.6	6.4
Paper & Pulp	4.6	-1.4
Rubber & Plastic	5.4	42.5
Petroleum	4.0	11.5
Food & Beverage	4.7	11.6
Textiles	3.9	-17.5
Other Nondurables	5.0	-0.2
TOTAL NONDURABLES	4.4	8.2
ALL MANUFACTURING	4.5	12.3
Mining	1.1	3.1
Railroads	3.9	13.4
Airlines	6.3	45.8
Electric Utilities	5.9	-0.3
Gas Utilities	5.0	13.3
Communication & Other	4.5	4.2
Trade & Services	5.7	-1.5
ALL NONMANUFACTURING	5.1	1.8
ALL BUSINESS	4.9	5.8

TABLE III

CAPITAL SPENDING ON COMPUTERS & OTHER
OFFICE EQUIPMENT

INDUSTRY	Million $		% of Industry's Total Capital Spending	
	1984	1985	1984	1985
Iron & Steel	108.8	127.1	3.5	3.5
Nonferrous Metals	93.4	226.0	3.3	8.1
Electrical Machinery	1,310.7	1,085.1	9.6	8.2
Non-Electrical Machinery	1,495.4	3,186.9	10.5	16.3
Autos,Trucks & Parts	375.3	1,029.9	3.4	6.4
Aerospace	2,176.1	3,067.8	38.0	42.0
Fabricated Metals	301.9	392.2	11.6	14.6
Instruments	275.3	1,124.0	8.4	25.4
Stone,Clay & Glass	134.1	169.3	5.0	5.4
Other Durables	425.3	444.7	8.5	8.5
TOTAL DURABLES	6,696.3	10,852.9	10.4	13.9
Chemicals	893.1	760.2	6.1	4.6
Paper & Pulp	262.5	315.5	3.6	4.2
Rubber & Plastic	171.7	384.2	6.9	10.3
Petroleum	267.3	488.6	1.0	1.6
Food & Beverage	150.4	312.8	2.0	3.6
Textiles	99.9	43.3	6.9	3.5
Other Nondurables	1,322.1	1,235.6	18.0	16.0
TOTAL NONDURABLES	3,167.0	3,540.1	4.7	4.7
ALL MANUFACTURING	9,863.3	14,393.1	7.5	9.3
Mining	851.9	400.5	6.7	3.0
Railroads	110.2	182.1	2.0	2.9
Airlines	59.9	414.6	2.1	9.2
Electric Utilities	415.0	542.7	1.2	1.4
Gas Utilities	430.1	488.6	4.5	4.3
Communication & Other	4,224.0	6,854.8	9.1	13.6
Trade & Services	25,870.2	32,437.5	24.8	29.8
ALL NONMANUFACTURING	31,961.4	41,320.7	14.7	17.8
ALL BUSINESS	41,824.7	55,713.7	12.0	14.4

TABLE IV

CAPITAL SPENDING ON MANUFACTURING EQUIPMENT*

INDUSTRY	Million $		% of Industry's Total Capital Spending	
	1984	1985	1984	1985
Iron & Steel	1,748.1	2,029.0	56.0	55.3
Nonferrous Metals	1,921.7	1,824.6	67.2	65.2
Electrical Machinery	7,216.7	7,204.4	53.1	54.3
Non-Electrical Machinery	8,851.2	12,593.3	62.4	64.6
Autos,Trucks & Parts	9,948.6	13,556.1	90.0	83.8
Aerospace	1,685.3	1,723.1	29.4	23.6
Fabricated Metals	1,847.0	1,833.3	70.8	68.2
Instruments	1,338.5	1,437.6	40.8	32.5
Stone,Clay & Glass	2,018.8	2,317.9	74.8	74.1
Other Durables	3,178.7	3,386.6	63.7	65.0
TOTAL DURABLES	39,754.6	47,905.8	62.0	61.3
Chemicals	9,549.4	10,366.6	64.7	63.2
Paper & Pulp	5,621.0	5,812.3	77.7	77.9
Rubber & Plastic	1,704.1	2,393.6	68.7	64.3
Petroleum	10,413.6	10,547.6	39.3	34.3
Food & Beverage	4,697.0	5,731.2	63.7	66.5
Textiles	993.1	961.2	68.5	77.3
Other Nondurables	3,270.8	3,373.5	44.4	43.7
TOTAL NONDURABLES	36,248.9	39,186.1	54.0	51.6
ALL MANUFACTURING	76,003.5	87,091.9	57.9	56.5
Mining*	796.2	1,595.6	6.3	12.1
Railroads*	489.3	672.6	9.0	10.5
Airlines*	38.4	106.6	1.3	2.4
Electric Utilities*	18,614.4	21,270.4	51.9	56.1
Gas Utilities*	4,971.1	5,459.5	52.2	48.2
Communication & Other*	397.4	456.9	0.9	0.9
Trade & Services*	20,767.5	21,321.0	19.9	19.6
ALL NONMANUFACTURING*	46,074.5	50,882.8	21.2	21.9
ALL BUSINESS	122,078.0	137,974.6	35.0	35.7

*Data are derived from the second part of question 3 on the questionnaires reprinted at end of this report. Manufacturers were asked share of capital spending for equipment used in manufacturing, processing, and assembling. Equipment definitions for nonmanufacturing industries were as follows: mining--mining and drilling equipment; railroads--tools and equipment; airlines--tools and equipment; utilities--generation, distribution, and transmission equipment; communications--installation, service, and broadcast tools and equipment; trade and services--fixtures and other non-computer equipment.

TABLE V

CAPITAL SPENDING ON AUTOS & TRUCKS

INDUSTRY	Million $		% of Industry's Total Capital Spending	
	1984	1985	1984	1985
Iron & Steel	19.5	40.2	0.6	1.1
Nonferrous Metals	42.7	71.0	1.5	2.5
Electrical Machinery	235.8	247.2	1.7	1.9
Non-Electrical Machinery	2,030.3	2,136.4	14.3	11.0
Autos,Trucks & Parts	99.8	125.2	0.9	0.8
Aerospace	44.2	72.4	0.8	1.0
Fabricated Metals	79.4	75.1	3.0	2.8
Instruments	142.9	138.7	4.4	3.1
Stone,Clay & Glass	112.6	125.6	4.2	4.0
Other Durables	214.4	198.7	4.3	3.8
TOTAL DURABLES	3,021.7	3,230.4	4.7	4.1
Chemicals	356.6	391.2	2.4	2.4
Paper & Pulp	127.1	150.3	1.8	2.0
Rubber & Plastic	196.3	286.8	7.9	7.7
Petroleum	99.9	106.6	0.4	0.3
Food & Beverage	621.8	335.6	8.4	3.9
Textiles	36.4	31.2	2.5	2.5
Other Nondurables	140.3	162.1	1.9	2.1
TOTAL NONDURABLES	1,578.3	1,463.8	2.4	1.9
ALL MANUFACTURING	4,600.0	4,694.2	3.5	3.0
Mining	138.7	127.6	1.1	1.0
Railroads*	829.9	995.7	15.3	15.6
Airlines**	1,774.9	3,099.3	60.8	68.5
Electric Utilities	233.7	298.7	0.7	0.8
Gas Utilities	338.4	444.0	3.6	3.9
Communication & Other	7,217.2	6,151.6	15.6	12.2
Trade & Services	7,455.7	5,178.8	7.1	4.8
ALL NONMANUFACTURING	17,988.5	16,295.8	8.3	7.0
ALL BUSINESS	22,588.5	20,990.0	6.5	5.4

*Data are for locomotives.
**Data are for aircraft.

TABLE VI

CAPITAL SPENDING ON FACTORIES*

INDUSTRY	Million $		% of Industry's Total Capital Spending	
	1984	1985	1984	1985
Iron & Steel	80.1	221.8	2.6	6.0
Nonferrous Metals	311.4	416.7	10.9	14.9
Electrical Machinery	1,316.4	1,270.8	9.7	9.6
Non-Electrical Machinery	1,164.6	907.0	8.2	4.7
Autos,Trucks & Parts	289.5	787.8	2.6	4.9
Aerospace	931.6	1,481.0	16.3	20.3
Fabricated Metals	84.6	94.4	3.2	3.5
Instruments	722.7	832.0	22.0	18.8
Stone,Clay & Glass	229.2	338.6	8.5	10.8
Other Durables	366.5	327.4	7.3	6.3
TOTAL DURABLES	5,496.6	6,677.5	8.6	8.5
Chemicals	1,608.1	2,064.1	10.9	12.6
Paper & Pulp	766.1	501.5	10.6	6.7
Rubber & Plastic	252.1	411.7	10.2	11.1
Petroleum	1,959.7	2,433.3	7.4	7.9
Food & Beverage	1,236.7	1,322.5	16.8	15.4
Textiles	97.7	58.7	6.7	4.7
Other Nondurables	525.6	585.1	7.1	7.6
TOTAL NONDURABLES	6,446.1	7,376.9	9.6	9.7
ALL MANUFACTURING	11,942.7	14,054.4	9.1	9.1
Mining*	10,353.2	10,120.6	81.9	76.8
Railroads*	2,732.9	3,196.0	50.5	50.1
Airlines*	516.8	593.5	17.7	13.1
Electric Utilities*	11,019.1	11,192.5	30.7	29.5
Gas Utilities*	456.2	757.7	4.8	6.7
Communication & Other*	28,421.3	30,563.1	61.3	60.6
Trade & Services*	1,741.4	1,008.9	1.7	0.9
ALL NONMANUFACTURING*	55,240.9	57,432.2	25.4	24.7
ALL BUSINESS	67,183.6	71,486.6	19.3	18.5

*Data are derived from the fourth part of question 3 on the questionnaires reprinted at end of this report. Manufacturers were asked share of capital spending for factory construction. Construction definitions for nonmanufacturing industries were as follows: mining--site development; railroads--track and roadway construction and maintenance; airlines--hangar and terminal construction; utilities--plant construction; communications--switching, trunking, and telecommunications plant; trade and services--outlets, warehouse, and other non-office construction.

TABLE VII

CAPITAL SPENDING ON OFFICE BUILDINGS

INDUSTRY	Million $		% of Industry's Total Capital Spending	
	1984	1985	1984	1985
Iron & Steel	4.0	5.1	0.1	0.1
Nonferrous Metals	10.4	39.6	0.4	1.4
Electrical Machinery	560.1	732.3	4.1	5.5
Non-Electrical Machinery	184.0	139.6	1.3	0.7
Autos,Trucks & Parts	59.9	173.0	0.5	1.1
Aerospace	232.3	454.0	4.1	6.2
Fabricated Metals	39.4	102.2	1.5	3.8
Instruments	393.4	476.0	12.0	10.8
Stone,Clay & Glass	11.8	15.5	0.4	0.5
Other Durables	88.2	94.6	1.8	1.8
TOTAL DURABLES	1,583.4	2,231.8	2.5	2.9
Chemicals	643.6	650.2	4.4	4.0
Paper & Pulp	83.2	240.7	1.2	3.2
Rubber & Plastic	129.2	226.4	5.2	6.1
Petroleum	34.1	1.9	0.1	0.0
Food & Beverage	206.4	80.2	2.8	0.9
Textiles	50.2	7.9	3.5	0.6
Other Nondurables	1,213.5	1,528.0	16.5	19.8
TOTAL NONDURABLES	2,360.2	2,735.2	3.5	3.6
ALL MANUFACTURING	3,943.5	4,967.1	3.0	3.2
Mining	1.1	0.0	0.0	0.0
Railroads	66.3	80.6	1.2	1.3
Airlines	7.9	85.5	0.3	1.9
Electric Utilities	397.0	475.8	1.1	1.3
Gas Utilities	66.2	136.8	0.7	1.2
Communication & Other	2,062.2	2,376.1	4.4	4.7
Trade & Services	19,039.3	18,318.5	18.2	16.9
ALL NONMANUFACTURING	21,640.1	21,473.2	10.0	9.2
ALL BUSINESS	25,583.6	26,440.3	7.3	6.8

TABLE VIII

DETAILED INDUSTRY CAPITAL SPENDING

	Capital Spending Plans-% Change	
	1984-85	1985-86
Metal Mining	64.6	82.9
Bituminous Coal and Lignite Mining	17.5	-15.9
Oil and Gas Extraction	-16.8	-0.4
Nonmetallic Minerals, Except Fuels	293.2	-73.9
General Building Contractors	-4.3	0.0
Meat Products	50.0	0.0
Dairy Products	22.2	-3.5
Preserved Fruits and Vegetables	31.5	-5.3
Grain Mill Products	42.7	-27.7
Fats and Oils	-23.1	-30.0
Beverages	18.7	8.7
Weaving Mills, Cotton	-24.2	14.3
Knitting Mills	31.6	-22.7
Floor Covering Mills	5.1	4.3
Yarn and Thread Mills	25.1	-9.8
Industrial Inorganic Chemicals	16.9	20.5
Soap, Cleaners, and Toilet Goods	12.2	0.6
Paints and Allied Products	15.4	0.0
Miscellaneous Chemical Products	24.0	2.4
Miscellaneous Plastics Products	21.0	-15.4
Leather and Leather Products	-8.7	-2.7
Products of Purchased Glass	5.6	-5.1
Cement, Hydraulic	10.8	38.1
Structural Clay Products	35.4	23.1
Concrete, Gypsum, and Plaster Products	58.3	-30.9
Primary Nonferrous Metals	-6.0	3.5
Nonferrous Rolling and Drawing	27.3	127.2
Cutlery, Hand Tools, and Hardware	4.9	15.3
Fabricated Structural Metal Products	-2.6	13.6
Misc. Fabricated Metal Products	9.8	-10.8

TABLE VIII (Continued)

	Capital Spending Plans-% Change	
	1984-85	1985-86
Farm and Garden Machinery	37.9	27.2
Construction and Related Machinery	43.0	10.7
Metalworking Machinery	56.9	-4.9
Special Industry Machinery	46.6	4.1
General Industry Machinery	25.6	-1.5
Office and Computing Machines	-15.2	21.4
Refrigeration and Service Machinery	42.9	20.0
Electric Distribution Equipment	-14.2	5.1
Household Appliances	103.4	-44.9
Electric Lighting and Wiring Equipment	29.3	29.5
Communication Equipment	-4.2	5.2
Electronic Components and Accessories	15.9	0.4
Misc. Electrical Equipment & Supplies	-23.5	47.4
Ship and Boat Building and Repairs	0.0	18.5
Engineering & Scientific Instruments	247.8	-23.9
Photographic Equipment and Supplies	16.5	12.2
Miscellaneous Manufacturing Industries	5.0	7.3
Trucking and Warehousing	-10.8	-3.7
Communications	11.5	-8.0
Hardware, Plumbing & Heating Equipment-Whole.	-1.3	-9.1
Farm-Product Raw Materials	15.3	20.0
Variety Stores	6.9	9.4
Food Stores	25.0	16.6
Banking	10.9	-0.4
Insurance Carriers	12.3	-9.0
Hotels, Motels, and Tourist Courts	7.8	-50.0
Business Services	26.6	28.7
Computer and Data Processing Services	-1.9	-0.1
Miscellaneous Business Services	36.9	36.2
Educational Services	50.0	-33.3
Miscellaneous Services	35.5	-31.5
Wholesale and Retail Trade	-2.7	5.1
Finance, Insurance, and Real Estate	11.5	-3.6
Personal and Business Services	14.1	26.7
Health and Miscellaneous Services	6.6	-22.7

TABLE IX

SURVEY SAMPLE SIZE

INDUSTRY	Percentage of Capital Spending Covered by Survey
Iron & Steel	27.9
Nonferrous Metals	38.4
Electrical Machinery	42.2
Non-Electrical Machinery	7.2
Autos,Trucks & Parts	69.3
Aerospace	42.0
Fabricated Metals	17.7
Instruments	41.4
Stone,Clay & Glass	15.4
Other Durables	5.3
TOTAL DURABLES	33.2
Chemicals	33.0
Paper & Pulp	31.1
Rubber & Plastic	34.9
Petroleum	49.6
Food & Beverage	22.4
Textiles	17.1
Other Nondurables	13.4
TOTAL NONDURABLES	35.8
ALL MANUFACTURING	34.5
Mining	4.6
Railroads	20.7
Airlines	39.7
Electric Utilities	43.0
Gas Utilities	22.9
Communication & Other	22.4
Trade & Services	3.6
ALL NONMANUFACTURING	15.9
ALL BUSINESS	22.9

CONFIDENTIAL

G _____

MANUFACTURING

McGRAW-HILL ECONOMICS
1221 Avenue of Americas
New York, NY 10020

CAPITAL SPENDING CHECK-UP SURVEY

Please fill in all blanks. If your answer is zero, please write in "0." If your answer is "not applicable" or "not available," please write in "NA". All questions refer to U.S. only.

1. How much did your company spend on plant and equipment in the United States in 1984, and how much does it plan to spend (inflation included) in 1985 and 1986? (Please include all purchases charged to capital accounts, whether for replacement, expansion, or other purposes. Include value of plant and equipment leased to others. Do not include acquisitions or value of plant leased from others.) If your answers omit 000 or 000,000 please indicate here: _____.

1984	1985	1986
$	$	$

2. By what percent, on average, do you think the prices you pay for plants and equipment will increase (decrease) between 1984 and 1985? _____%

3. Of total capital spending, what percent was and will be for:

	1984	1985
Computers and Other Office Equipment	%	%
Machinery used in Manufacturing, Processing, Assembling	%	%
Autos & Trucks	%	%
Factory Construction	%	%
Office Construction	%	%
All Other Machinery & Buildings	%	%
	100%	100%

NAME _____ TITLE _____

COMPANY _____

ADDRESS _____

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M _____
MINING

McGRAW-HILL ECONOMICS
1221 Avenue of Americas
New York, NY 10020

CAPITAL SPENDING CHECK-UP SURVEY

Please fill in all blanks. If your answer is zero, please write in "0." If your answer is "not applicable" or "not available," please write in "NA". All questions refer to U.S. only.

1. How much did your company spend on plant and equipment in the United States in 1984, and how much does it plan to spend (inflation included) in 1985 and 1986? (Please include all purchases charged to capital accounts, whether for replacement, expansion, or other purposes. Include value of plant and equipment leased to others. Do not include acquisitions or value of plant leased from others.) If your answers omit 000 or 000,000 please indicate here: _____.

1984	1985	1986
$	$	$

2. By what percent, on average, do you think the prices you pay for plants and equipment will increase (decrease) between 1984 and 1985? _____%

3. Of total capital spending, what percent was and will be for:

	1984	1985
Computers and Other Office Equipment	%	%
Mining and Drilling Machinery	%	%
Autos & Trucks	%	%
Site Development	%	%
Office Construction	%	%
All Other Machinery & Construction	%	%
	100%	100%

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R_____
RAILROADS

McGRAW-HILL ECONOMICS
1221 Avenue of Americas
New York, NY 10020

CAPITAL SPENDING CHECK-UP SURVEY

Please fill in all blanks. If your answer is zero, please write in "0." If your answer is "not applicable" or "not available," please write in "NA". All questions refer to U.S. only.

1. How much did your company spend on plant and equipment in the United States in 1984, and how much does it plan to spend (inflation included) in 1985 and 1986? (Please include all purchases charged to capital accounts, whether for replacement, expansion, or other purposes. Include value of plant and equipment leased to others. Do not include acquisitions or value of plant leased from others.) If your answers omit 000 or 000,000 please indicate here: _____.

1984	1985	1986
$	$	$

2. By what percent, on average, do you think the prices you pay for plants and equipment will increase (decrease) between 1984 and 1985? _____%

3. Of total capital spending, what percent was and will be for:

	1984	1985
Computers and Other Office Equipment	_____%	_____%
Tools and Equipment	_____%	_____%
Locomotives	_____%	_____%
Track and Roadway Construction and Maintenance	_____%	_____%
Office Construction	_____%	_____%
All Other Machinery & Construction	_____%	_____%
	100%	100%

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COMPANY_____

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C _____
COMMUNICATIONS

McGRAW-HILL ECONOMICS
1221 Avenue of Americas
New York, NY 10020

CAPITAL SPENDING CHECK-UP SURVEY

Please fill in all blanks. If your answer is zero, please write in "0." If your answer is "not applicable" or "not available," please write in "NA". All questions refer to U.S. only.

1. How much did your company spend on plant and equipment in the United States in 1984, and how much does it plan to spend (inflation included) in 1985 and 1986? (Please include all purchases charged to capital accounts, whether for replacement, expansion, or other purposes. Include value of plant and equipment leased to others. Do not include acquisitions or value of plant leased from others.) If your answers omit 000 or 000,000 please indicate here: _____.

1984	1985	1986
$	$	$

2. By what percent, on average, do you think the prices you pay for plants and equipment will increase (decrease) between 1984 and 1985? _____%

3. Of total capital spending, what percent was and will be for:

	1984	1985
Computers and Other Office Equipment	%	%
Installation, Service and Broadcast Tools and Equipment	%	%
Autos & Trucks	%	%
Switching, Trunking, and Telecommunications Plant	%	%
Office Construction	%	%
All Other Equipment and Facilities	%	%
	100%	100%

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COMPANY _____

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EG _____
ELECTRIC & GAS UTILITIES

McGRAW-HILL ECONOMICS
1221 Avenue of Americas
New York, NY 10020

CAPITAL SPENDING CHECK-UP SURVEY

Please fill in all blanks. If your answer is zero, please write in "0." If your answer is "not applicable" or "not available," please write in "NA". All questions refer to U.S. only.

1. How much did your company spend on plant and equipment in the United States in 1984, and how much does it plan to spend (inflation included) in 1985 and 1986? (Please include all purchases charged to capital accounts, whether for replacement, expansion, or other purposes. Include value of plant and equipment leased to others. Do not include acquisitions or value of plant leased from others.) If your answers omit 000 or 000,000 please indicate here: _____.

1984	1985	1986
$	$	$

2. By what percent, on average, do you think the prices you pay for plants and equipment will increase (decrease) between 1984 and 1985? _____%

3. Of total capital spending, what percent was and will be for:

	1984	1985
Computers and Other Office Equipment	%	%
Generation, Distribution & Transmission Equipment	%	%
Autos & Trucks	%	%
Plant Construction	%	%
Office Construction	%	%
All Other Electric & Gas Utility Property And Equipment	%	%
	100%	100%

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COMPANY _____

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A_____
AIRLINES

McGRAW-HILL ECONOMICS
1221 Avenue of Americas
New York, NY 10020

CAPITAL SPENDING CHECK-UP SURVEY

Please fill in all blanks. If your answer is zero, please write in "0." If your answer is "not applicable" or "not available," please write in "NA". All questions refer to U.S. only.

1. How much did your company spend on plant and equipment in the United States in 1984, and how much does it plan to spend (inflation included) in 1985 and 1986? (Please include all purchases charged to capital accounts, whether for replacement, expansion, or other purposes. Include value of plant and equipment leased to others. Do not include acquisitions or value of plant leased from others.) If your answers omit 000 or 000,000 please indicate here: _____.

1984	1985	1986
$	$	$

2. By what percent, on average, do you think the prices you pay for plants and equipment will increase (decrease) between 1984 and 1985? _____%

3. Of total capital spending, what percent was and will be for:

	1984	1985
Computers and Other Office Equipment	%	%
Tools and Equipment	%	%
Aircraft	%	%
Hangar and Terminal Construction	%	%
Office Construction	%	%
All Other Machinery & Construction	%	%
	100%	100%

NAME_____ TITLE_____

COMPANY_____

ADDRESS_____

ALL YOUR ANSWERS WILL BE HELD STRICTLY CONFIDENTIAL

(Please return by February 6, 1985)

CONFIDENTIAL

T_____
TRADE AND SERVICES

McGRAW-HILL ECONOMICS
1221 Avenue of Americas
New York, NY 10020

CAPITAL SPENDING CHECK-UP SURVEY

Please fill in all blanks. If your answer is zero, please write in "0." If your answer is "not applicable" or "not available," please write in "NA". All questions refer to U.S. only.

1. How much did your company spend on plant and equipment in the United States in 1984, and how much does it plan to spend (inflation included) in 1985 and 1986? (Please include all purchases charged to capital accounts, whether for replacement, expansion, or other purposes. Include value of plant and equipment leased to others. Do not include acquisitions or value of plant leased from others.) If your answers omit 000 or 000,000 please indicate here: _____.

1984	1985	1986
$	$	$

2. By what percent, on average, do you think the prices you pay for plants and equipment will increase (decrease) between 1984 and 1985? _____%

3. Of total capital spending, what percent was and will be for:

	1984	1985
Computers and Other Office Equipment	%	%
Fixtures and Other Non-Computer Equipment	%	%
Autos & Trucks	%	%
Outlet, Warehouse, and Other Non-Office Construction	%	%
Office Construction	%	%
All Other Equipment and Facilities	%	%
	100%	100%

NAME_____ TITLE_____

COMPANY_____

ADDRESS_____

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